Healthcare Coverage Coalition

Utah Healthcare Reform Proposal

HEALTHCARE. . . A shared responsibility

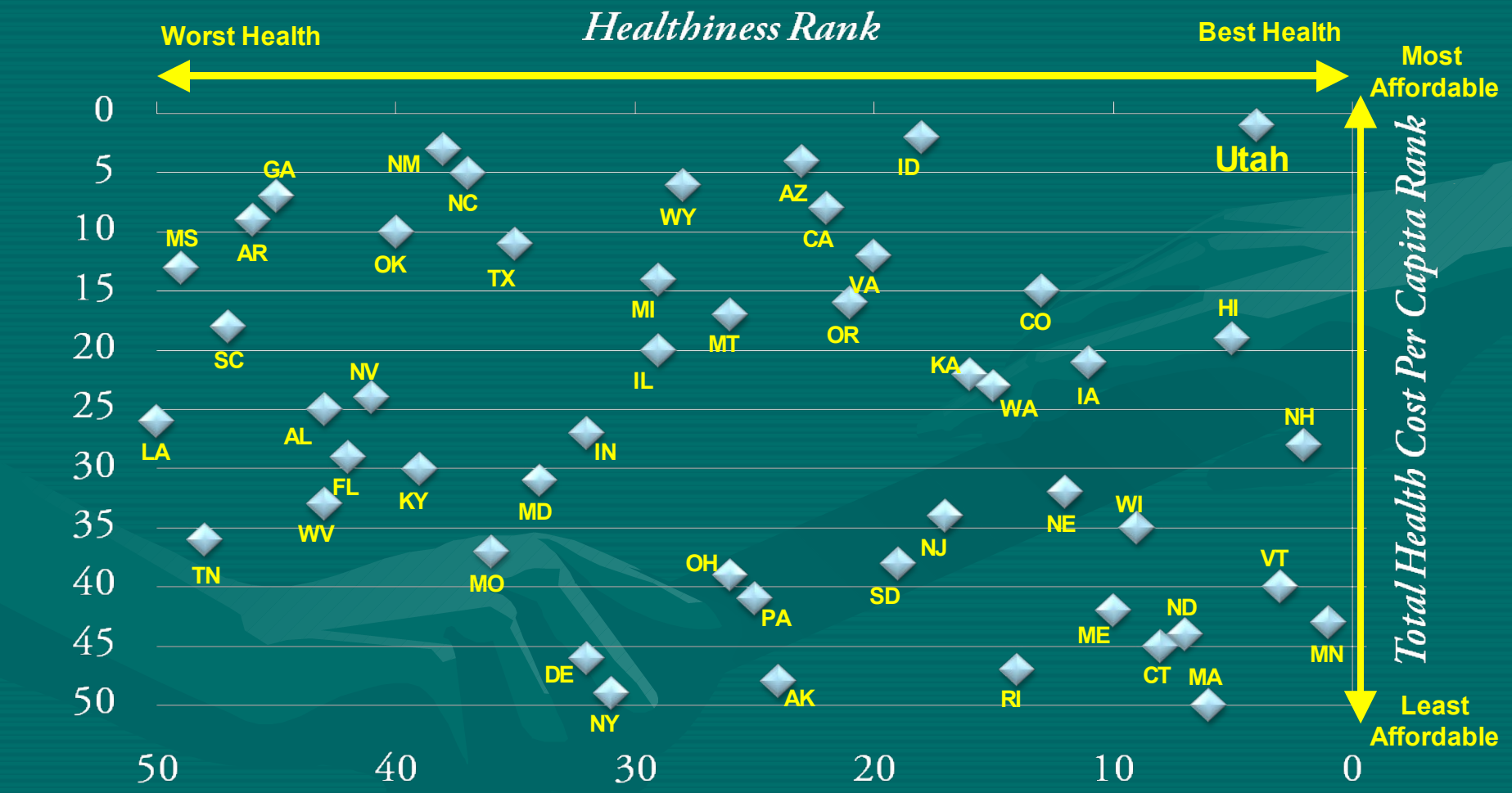
THE NEED FOR REFORM

- More than 300,000 Utahns are uninsured. Of those, 90,000 are children (newborn to 18 years of age) and more than 100,000 work for small businesses. These people often use healthcare in ineffective and inefficient ways.
- The cost of providing care to the uninsured is passed on to Utah businesses as a hidden tax.
- The expenditures for health insurance are growing faster than other costs, creating more uninsured and underinsured each year.

Utah is uniquely positioned to do *real* reform, and do it from a position of strength!

State Rankings of Healthiness

Compared to Total Health Cost Per Capita Rank



Source: Healthiness – United Health Foundation, 2007; Total Health Cost – Kaiser Family Foundation, 2007

So, What's the Problem?

- Increasing numbers of uninsured Utahans increase the number of "free-riders," increasing the burden on Utah business and individuals purchasing insurance
- While Utah healthcare expenditures are the lowest in the country, they are rising significantly and are an increasing challenge for individuals and businesses
- Most people agree that cost – really expenditure – for healthcare is the most pressing issue

So, if expenditure control is a key factor – *the key factor* – in health reform, how can it be accomplished?

For change to be effective, we must understand why health expenditures currently rise more rapidly than most other goods and services in the economy.

First, What *Isn't* a Primary Issue?

Wells Fargo Inflation Summary
1988-2006

December 2006

WELLS FARGO

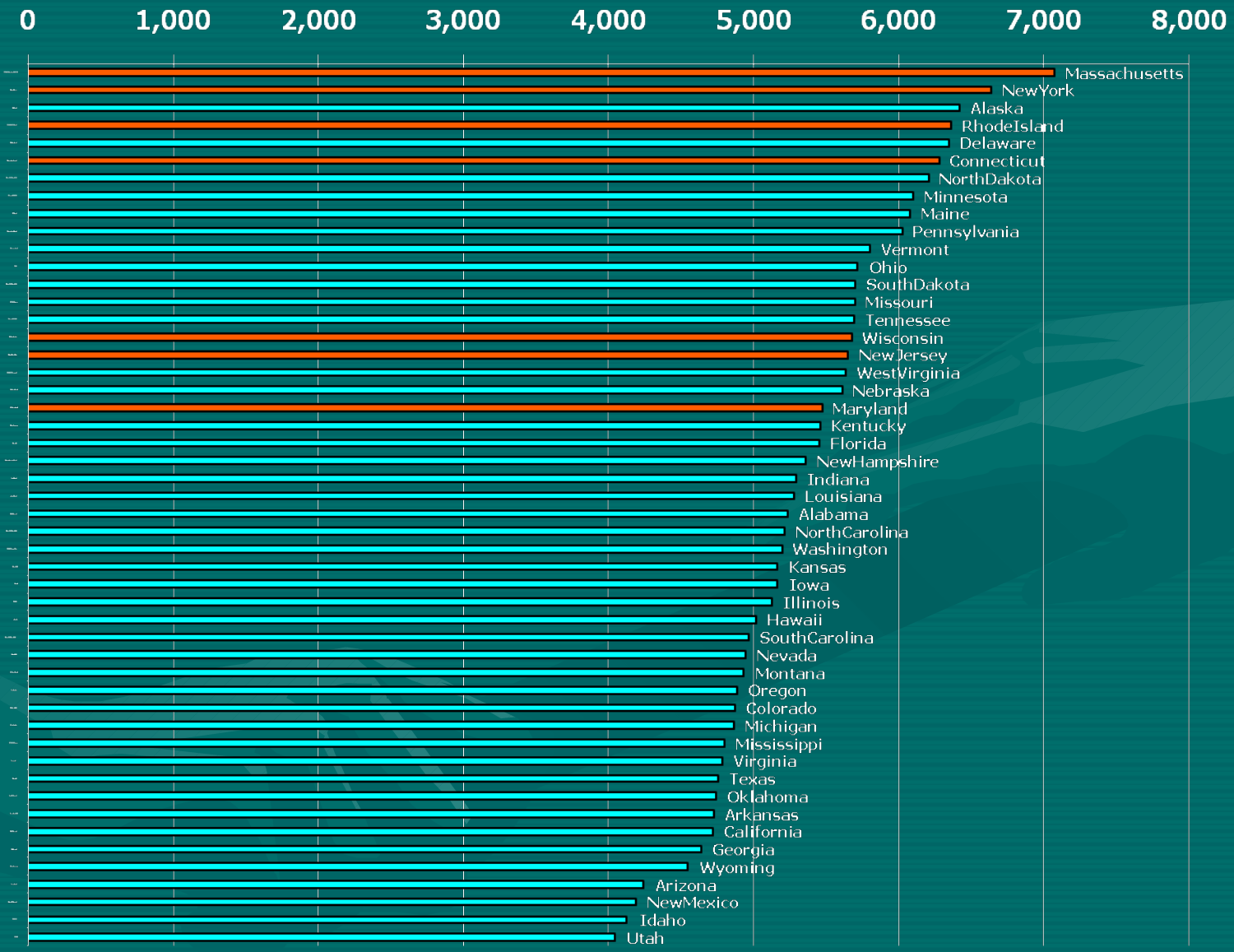
COST OF LIVING INDEX

	Wasatch Front			National			
	Index Mar. 1988=100	% Change 6 Mos.*	(Non-Seas. Adj.) 1 Mo. Prior	Index Mar. 1988=100	% Change 6 Mos.*	(Non-Seas. Adj.) 1 Mo. Prior	(Seas. Adj.) 1 Mo. Prior
All Categories	**154.6**	**-0.1%**	**0.2%**	**173.4**	**2.7%**	**0.1%**	**0.5%**
Housing	182.8	2.7	0.1	175.6	3.8	0.1	0.4
Transportation	120.2	-11.4	-1.4	163.9	0.8	0.9	1.8
Health Care	157.4	0.1	-0.1	249.5	3.9	0.0	0.1
Food at Home	201.2	3.3	3.1	170.6	1.8	0.0	-0.3
Clothing	113.2	-1.6	0.6	102.9	0.2	-2.5	0.6
Food Away	162.2	0.0	0.0	168.7	3.2	0.3	0.3
Utilities	128.7	-1.0	0.0	175.4	3.1	1.1	1.2
Recreation	139.1**	5.8	0.0	109.8†	1.3	-0.4	-0.3
Education & Comm.	124.6**	5.6	0.0	116.2†	2.5	-0.1	0.2
Other Goods & Svcs.	104.3**	0.0	0.0	243.3	2.6	0.7	0.8

*Last six-month percentage change compared with same period one year ago.
**(Feb. 1998=100 base)

National Data Source: U.S. Bureau of Labor Statistics
†(Dec. 1997=100 base)

Total Health Cost per Capita
Historical Hospital Rate Control States in Red



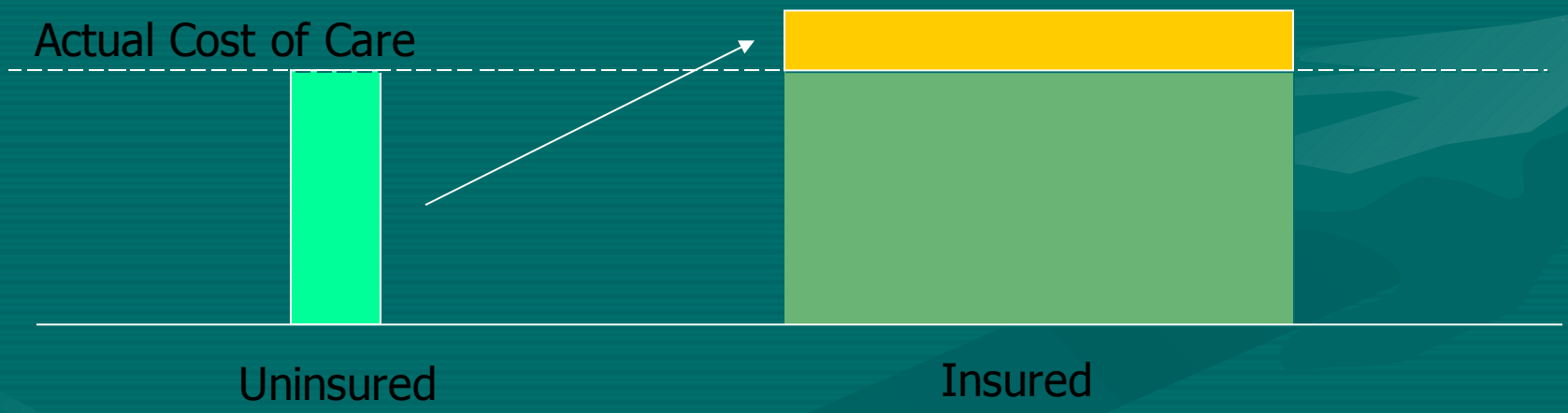
Source: Kaiser Family Foundation

If the cost of system inputs are not *the* problem… What is?

- Cost shifting from those not paying the cost of the care they receive

Cost Shifting From Uninsured is an Increasing Hidden Tax On Employers in Insurance Buyers

The effect of the "hidden tax" on insured individuals and employers that offer coverage is rising.



We have "universal healthcare" in the US today, but for those without insurance, we don't have healthcare that is efficient, either medically or financially.

One Alternative: Many States and Localities Are Directly Funding "Safety Net" Hospitals

Denver Health (Independent NFP) $230 mm Safety Net Subsidy

Texas (4 Hospitals in Metro Areas) $1.3 B Safety Net Subsidy

LA County (3 Hospitals) $1.1 B Safety Net Subsidy

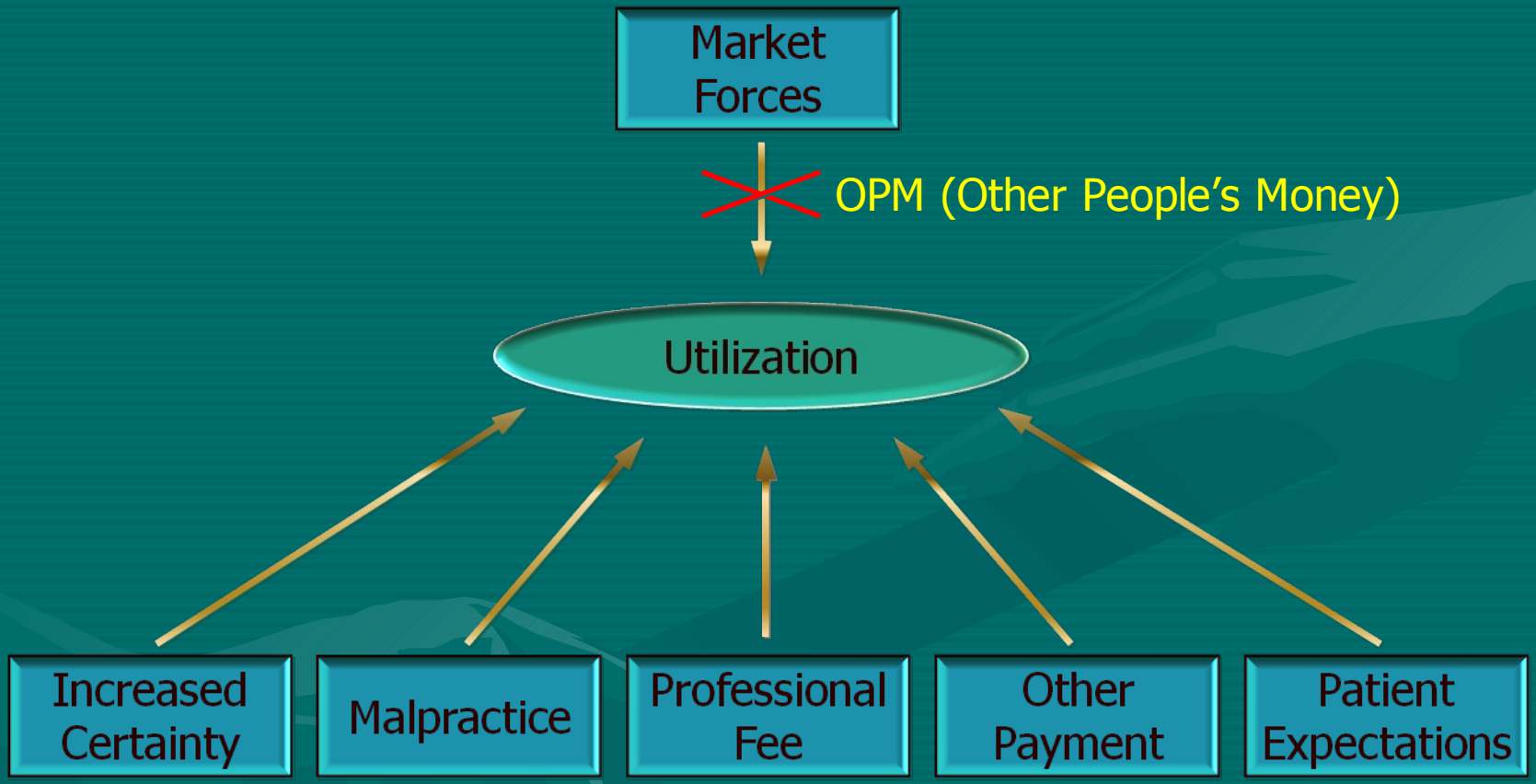
Chicago, Cook County (1 Hospital) $1.0 B Safety Net Subsidy

New York City (11 Hospitals) $1.4 B Safety Net Subsidy

If the cost of system inputs are not *the* problem… What is?

- Cost shifting from those not paying the cost of the care they receive
- Significantly increasing utilization of medical services

Current Incentives Push Providers to Increase Healthcare Use



"Autocare?"

What if a third party payer bought you a new car - whenever your car dealer recommended it?

- *What kind of car would you drive?*

- *What kind of car would your dealer recommend?*

ELEMENTS OF HEALTH COVERAGE REFORM -- *ORIGINAL* UHA PLAN --

- **SHARED RESPONSIBILITY**—Support of healthcare coverage for all, by all
- **ENHANCED CONSUMER PARTICIPATION – An "exchange" that contained all of the elements currently associated with the "portal," including consumer-accessible information and "defined contribution" approaches to financing for portable insurance products**
- **ESSENTIAL BENEFITS INSURANCE PLAN** – Insurance that is affordable, with **incentives for wellness and prevention, with consumer financial participation that encourages responsible use of care**

The Utah Hospital Association believes that these principles remain sound. However, we recognize that fiscal and political realities are supportive of more incremental change.

Incremental Steps to Reform

- Portal for:
  - Consumer-Oriented Information
  - Purchasing for Small Groups (if protections are in place)
- Simplified "Value-oriented" Benefit Plan
- Enhanced "Safety Net" charity clinics
- Cost Reduction for insurers and providers through Administrative Simplification
- Tax Credits

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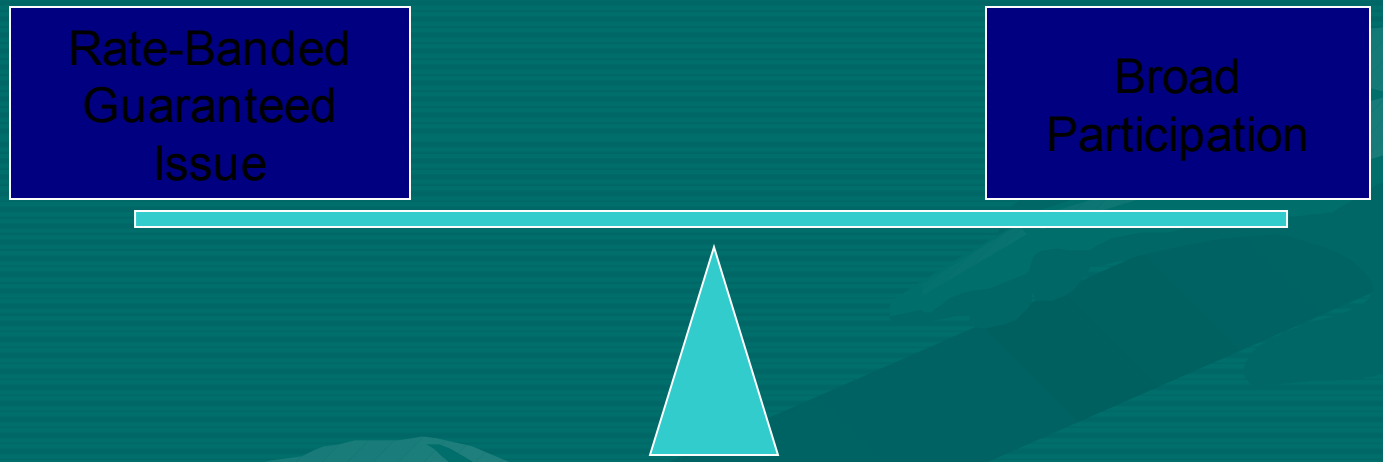
Guaranteed Issue (ala Portal) Requires Broad Participation



There must also be a mechanism for risk balancing

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The Original *Essential Benefits Plan* was categorized with the goal of encouraging individuals to utilize health services in a cost-effective way.

- **Wellness and Preventive Care** – preventive and cost-mitigating care will be covered with only a minimum out-of-pocket co-pay ($5 to $10)
- **Primary Care** – screenings and primary care including normal check-ups
- **Life Care** – interventions that are necessary to save life or prevent fundamental disability
- **Discretionary Care** – includes elective procedures that improve mobility or comfort
- **Optional Care** – not covered and would be paid for by the individual out-of-pocket

Simplified Value-Oriented Benefit Approach

- "Mandate-lite" plan that would be exempted from many existing state mandates
- The plan would quality for federal HSA eligibility
- Deductibles, while high enough to meet HSA requirements, would be rational for people of modest means
- Preventive care (as allowed by federal law) would be covered without a deductible
- Premiums could be much lower than traditional plans

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Reduce Costs for Charity Clinics

- Provide malpractice relief for volunteers at community health centers and other charity clinics
- Extend "Good Samaritan" protection to other caregivers in charity situations (e.g. pharmacists and physician assistants)
- Consider developing a safety net "referral" clinic as a nexus for voluntary specialty care

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Administrative Simplification Ideas

- Insurance Card-Standardized-CERTAINTY for Patients & Providers at Admission---Reduce Denials and Confusion
- Excessive Medical Record REQUESTS from Payor's-Especially Emergency Patients—Coordinate and Rationalize
- Allow Providers one Business Day to Notify Payor's of Admissions---Reduces weekend staffing
- Eliminate Automatic Itemized Statement to Patients – Provide update on Insurance Adjudication status---Final Bill---Reduces paper, postage, confusion and non-bills
- Consider Timely Payment Incentives for Payers and Providers

Administrative Simplification Ideas continued …

- Inconsistent Billing Requirements from Payor's---Need to standardize or publish payor edits Follow Medicare Standards
- Other Important Issues
  - Assignment of Benefit Payments to Patients--- causes confusion and bad debt
  - Out of State Payor's – Accessing In-state Payor Rates
  - Required Use of HIPAA X12 Electronic Data Exchange Standard
  - Retro Eligibility Requirements

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